EX PARTE OR LATE FILED

Building The Wireless Future™

November 22, 1995

CTIA

Cellular Telecommunications Industry Association
1250 Connecticut Avenue, N.W.
Suite 200
Washington, D.C. 20036
202-785-0081 Telephone
202-785-0721 Fax
202-736-3256 Direct Dial

Randall S. Coleman
Vice President for Regulatory Policy and Law

NOV 1995

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Re: ***Ex Parte*** **Presentation**
CC Docket No. 94-54

Dear Mr. Caton:

Today, the Cellular Telecommunications Industry Association ("CTIA") represented by Mr. Thomas E. Wheeler and the undersigned, met with Commissioner Rachelle B. Chong, Mr. Richard Welch, and Mr. David Furth. The discussion concerned economic, jurisdictional and competitive issues with respect to interconnection compensation between local exchange carriers and commercial mobile radio service providers. The attached letter and attachment thereto were distributed to the meeting participants.

Pursuant to Section 1.1206 of the Commission's Rules, an original and one copy of this letter and attachments are being filed with your office. If you have any questions concerning this submission, please contact the undersigned.

Sincerely,

Randall S. Coleman

Attachments

No. of Copies rec'd 0+1
List ABCDE

Building The
Wireless Future

CTIA
Cellular
Telecommunications
Industry Association
1250 Connecticut
Avenue, N.W.
Suite 200
Washington. D.C. 20036
202-785-0081 Telephone
202-331-8112 Fax
202-736-3213 Direct Dial

Thomas E. Wheeler
President / CEO

November 20, 1995

The Honorable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M Street, N.W.
Room 814
Washington, D.C. 20554

Dear Mr. Chairman:

The moment has come for Federal telecommunications policy to reflect in practice what it provides in theory relative to the relationship between two-way wireless carriers and local exchange carriers, *to wit*: co-carrier status. There is, simply, no more important issue affecting the delivery of low cost, competitive wireless telecommunications to all Americans.

We urge you to incorporate into CC Docket 94-54, or other appropriate vehicle, the requirement that the financial relationship between local exchange carriers (LECs) and broadband commercial mobile service providers (CMRS) be similar to that which applies between LECs themselves. Such a policy will result in:

- Increased local competition,
- Lower wireless fees to consumers,
- Regulatory parity between competitors, and
- An expansion of economic opportunity for <u>all</u> telecommunications providers.

These benefits can be realized through a policy of ***reciprocal termination*** between CMRS providers and LECs. Under such a policy each party receives the revenues for calls which it originates and each terminates the others' calls without charge to the originating carrier -- the same as LEC-to-LEC interconnection compensation today.

The policy of ***reciprocal termination*** is a proven success -- not only for over 100 years in the LEC world, but also as the economic structure of the Internet. Applying such a policy for CMRS-to-LEC interconnection will stimulate the same kind of success as experienced LEC-to-LEC and with the Internet.

Under ***reciprocal termination*** there is no complex and costly settlement process -- the originating party keeps the revenue which it generates, even though it may be connecting with another network. In the LEC world, this is referred to as "bill and keep", the phone company which bills the consumer maintains the revenue from each call it interconnects with another carrier. In the Internet world the process works similarly: once you have paid your local network you are capable of interconnecting, without additional fees, to any other network. [Please see the attached diagram].

Increased Local Competition

The Congress is in the process of enacting legislation to increase competition in telecommunications by applying to all providers the "wireless paradigm" enacted in 1993 -- competition in lieu of governmental intervention. The implementation of this policy means that wireless telecommunications is both a competitor to some traditional local loop services and an internally competitive industry, itself.

Such competition cannot be fully realized under the current regulatory reality. The wireless industry cannot compete to provide local service if the typical wireline consumer using 1200 minutes per month (and paying approximately $25) must pay the LEC $36.00 just for wireless access charges.

Senator Pressler, in discussing the telecommunications legislation, has referred to the need to eliminate the "hidden subsidies" which prohibit full telecommunications competition. The current structure of CMRS-to-LEC interconnection is such a "hidden subsidy," acting to restrain competition.

Lower Consumer Prices

Today, approximately 10 percent of the cost of an incremental 35 cent minute of wireless usage is payment to the LEC. If wireless prices are to come down, the amount which wireless customers pay to LECs must come down. The implementation of ***reciprocal termination*** creates such an opportunity.

Professor Gerald W. Brock, in previous submissions to the Commission, has demonstrated that, on average, it costs a LEC two-tenths of one cent ($.002) per minute to terminate a call. Nevertheless, wireless consumers typically pay LECs three cents per minute (or more) to terminate a call (a margin of 1500%).

Furthermore, the transaction costs to capture and accurately bill terminating calls create an additional burden on the LEC and the wireless consumer which far exceed the cost of providing the interconnection service itself. It is ridiculous that the cost to consumers and the disincentive to competition should be so skewed because of an interconnection practice which, itself, is inconsistent with the Commission's co-carrier policy.

Regulatory Parity

Half of a ***reciprocal termination*** policy exists in practice today: LECs terminate their calls to the wireless network for no fee. ***Reciprocal termination*** simply applies that policy to traffic flowing the other way as well.

Competitive telecommunications is rooted in the concept of parity -- if it is a good policy to apply to one competitor, then it is a good policy to apply to all other similarly situated competitors. The goal of both the telecommunications legislation and recent decisions of the Commission has been to eliminate the gaming whereby one competitor uses regulatory policy to gain a competitive advantage against another.

Reciprocal termination is parity, *per se.*

Increase The Economic Pie

The history of telecommunications policy is replete with instances when the incumbent provider, in an attempt to stave off competition, threatens the demise of all that is good and popular -- only to find, in implementation, that the introduction of competition has enabled the economic pie to grow for everyone, including the incumbent.

The same "end of the world" prognostications will, no doubt, greet the concept of ***reciprocal termination***. Nevertheless, there can be no doubt that vibrant economic results will accrue to the newly energized and competitive incumbents. It happened with radio and television, it happened with television and cable, it happened with long distance and the old Bell System, it happened with the licensing of two cellular carriers -- and, it is happening with cellular and PCS.

History is unambiguous on this matter: competition means new services and opportunities which, in turn, mean a bigger economic pie for everyone, including the incumbent.

Interstate Wireless Boundaries Mandate Commission Action

The policy of ***reciprocal termination*** properly comes within the Commission's Federal jurisdiction. The MTA and BTA license areas for PCS (as well as cellular MSA/RSA clusters) are interstate service areas. As a matter of law, the Commission has authority under sections 332 and 2(b) of the Communications Act to adopt a ***reciprocal termination*** regulatory plan.

As is illustrated by the Baltimore-Washington market (which stretches from the Delaware border to the outskirts of Richmond), wireless carriers market their services and operate networks without regard to state boundaries -- and consumers benefit as a result. Therefore, the Commission must establish one uniform, national policy regarding interconnection compensation which is consistent with its design of the license areas for interstate service offerings.

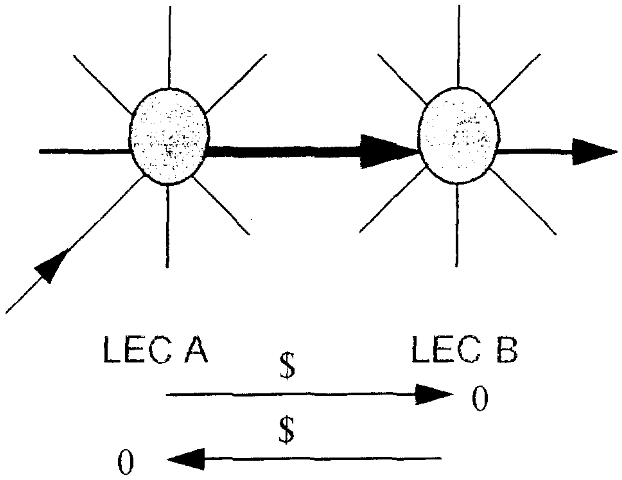
Mr. Chairman, at the present time the policy of the Commission is one of co-carrier parity, yet the present practice of the Commission is a *de facto* quarantine which denies wireless carriers the ability to compete in the local loop -- thus punishing wireless consumers. We urge you and your colleagues to exercise the authority you possess to have practice track policy.

Very truly yours,

Thomas E. Wheeler

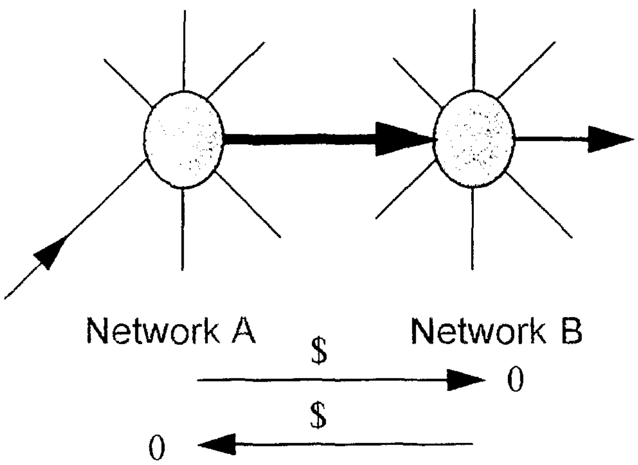
SIMILAR STRUCTURE -- DIFFERENT POLICY

LEC -to - LEC Model



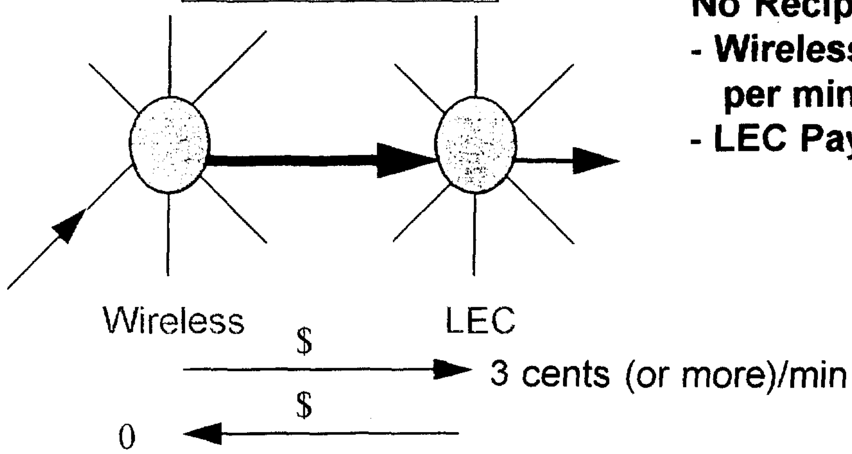
Co-Carrier Status:
Reciprocal Termination By LEC B of Traffic from LEC A

Internet Model



Network of Networks:
Reciprocal Termination by Network B of Traffic from Network A

Wireless Model



No Reciprocal Termination:
- **Wireless Pays LEC 3 cents (or more) per minute**
- **LEC Pays Wireless Nothing**